



COVID-19 Accelerates Trends in Emerging Markets Corporate Debt

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As an asset class, emerging markets corporate debt has shown quite a bit of resiliency. Longer term, we think the COVID-19 crisis will likely accelerate trends that were already underway.

Watch the video or read the recap below.

As an asset class, EM corporates have shown quite a bit of resiliency. While defaults are likely to pick up some from here, they're not expected to be anywhere near financial crisis levels or the original knee-jerk expectations of many on the sell side.

In general, companies in our universe have been appropriately managing their maturity profiles for a while now and this has been evident during the COVID pandemic. Longer term, we think the COVID crisis will likely accelerate trends that were already underway.

The transition to a greener economy is evident as many countries have set limits to their nonrenewable resources as part of their electric generation matrix, and companies incorporate those plans. The rise of ESG as an important framework to analyze material nonfinancial factors has proven its worth, and companies are likely to improve their policies and disclosures in order to align to investor demands.

The acceleration in technology applications for many EM issuers was well underway, and the COVID pandemic has

highlighted the need for continuous improvement in cost structures as companies in the lower parts of cost curves are likely to ride out these unpredictable events much better.

Diversification in funding sources is likely to accelerate. The COVID pandemic proved that capital markets can shut down, if even temporarily, and having established relationships with different funding sources as well as available credit facilities can help issuers ride these uncertain times much better.

We are yet to see whether increasing tensions between China and the U.S. will lead to further regionalization of the world and what effect that may have on supply chains. So far global trade seems to be rebounding.

All in, while the COVID pandemic has certainly tested the EM corporate asset class, issuers in our universe have performed well and the asset class has shown maturity and resilience.

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